

REDACTED VERSION

BEFORE MONTGOMERY COUNTY, MARYLAND

APPLICATION FOR CABLE COMMUNICATIONS FRANCHISE

BY: VERIZON MARYLAND INC.

Verizon Maryland Inc. ("VZ Maryland", "Applicant", "Grantee" or the "Company") respectfully submits this application form ("Application") and requests the award of a cable communications franchise ("Franchise") for the right to serve all areas of Montgomery County, Maryland (the "County").

In this Application, VZ Maryland follows the order and format requested by the County in Section 8A-8 of the Cable Communications Law of Montgomery County ("Cable Law").

VZ Maryland is submitting the original, certified Application and seven (7) copies of the Application. VZ Maryland has previously submitted to the County the \$25,000 filing/acceptance fee required by Section 08A.08.01.02 of the Cable Communications -- Regulations of Montgomery County.

The names and addresses of the persons authorized to act on behalf of the applicant with respect to this application are:

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Verizon Franchise Manager
12901 Worldgate Dr., 6th Flr.
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1. Identification of the persons who own or control the applicant, including:

(A) the names, addresses, and percentage interest of the 10 largest holders of an ownership interest in the applicant and all persons with an ownership interest of 5 percent or more;

The applicant is Verizon Maryland Inc., a Maryland corporation headquartered at 1 East Pratt Street, Baltimore, MD 21202. VZ Maryland is a wholly-owned subsidiary of Verizon Communications Inc., a publicly-traded company with offices at 140 West Street, New York, NY 10007-2109. No single shareholder has a five percent or larger ownership interest in Verizon Communications.

(B) any other persons who control the applicant;

None.

(C) all officers and directors of the applicant; and

A list of all officers and directors of VZ Maryland is provided in Attachment 1.

(D) any other business affiliation and cable system ownership interest of each identified person.

None of the officers and directors of Verizon Maryland Inc. has any cable system ownership interest.

2. A statement addressing whether the applicant, or any other person controlling the applicant, or any officer or majority stockholder of the applicant;

(A) has been adjudged bankrupt;

(B) has had a cable franchise revoked; or

(C) has been found by any court or administrative agency to have violated a security or antitrust law or convicted of a felony or any crime involving moral turpitude.

The Applicant has no knowledge of any such bankruptcy, cable franchise revocation or finding of guilt or conviction of the Applicant, any person controlling the Applicant, or any officer or majority stockholder of the Applicant.

3. A demonstration of the applicant's technical, legal, and financial ability, including financing sources and commitments, to construct and operate the proposed cable facility, identifying key personnel.

Applicant's technical, legal and financial qualifications are provided in Attachment 2.

4. A detailed description of the geographic area to be served by the cable system.

VZ Maryland proposes that the entire unincorporated area of Montgomery County plus the incorporated areas of the Participating Municipalities should comprise the franchise area.

A description of the schedule for the provisioning of cable service to residents of Montgomery County is included in Section 3 of the proposed cable franchise agreement provided in Attachment 3.

5. If the applicant seeks a limited franchise under this Chapter, a description of how the proposal meets the requirements for a limited franchise, including the justification for any waiver of the minimum requirements.

Not applicable.

6. A detailed description of the physical facility proposed, including channel capacity, technical design, performance characteristics, headend, and access facilities and equipment.

A detailed description of the physical facility proposed for Montgomery County is provided in Attachment 4.

Additional information regarding the system facilities and performance characteristics of the cable system is included in Section 5 of the proposed cable franchise agreement provided in Attachment 3.

A description of capital support proposed to be provided to Montgomery County for PEG facilities and equipment in lieu of specific facilities and equipment is included in Section 6.2 of the proposed cable franchise agreement provided in Attachment 3.

7. A description of the construction of the proposed system, including an estimate of above-ground and below-ground mileage and its location, the proposed construction schedule, a description, where appropriate, of how services will be converted from existing facilities to new facilities, and information on the availability of space on poles and conduits including an estimate of the cost of any necessary rearrangement of facilities.

A description of the construction of the FTTP network is provided in Attachment 4. VZ Maryland is installing its FTTP network as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, in accordance with its authority to do so as set forth in Sections 8-103(a)(1) and (2) and 5-410 (a) and (b)(1) of the Maryland Public Utility Companies Article of the Annotated Code of Maryland under the jurisdiction of the Maryland Public Service Commission. Information regarding cable locations, footages and types and any pole or conduit work necessary to complete the FTTP construction is included in the individual permit applications submitted by VZ Maryland to the County.

A description of the schedule for the provisioning of cable service to residents of Montgomery County is included in Section 3 of the proposed cable franchise agreement provided in Attachment 3.

The engineering plans, specifications and a network map for the FTTP network will be maintained at a local VZ Maryland engineering office and will be made available to authorized representatives of the County upon request and subject to confidentiality limitations to be agreed upon by the parties.

8. A description of the services to be provided initially, including all broadcast and non-broadcast signals to be carried and all non-television services, and if services will be offered by tiers, identification of the signals or services, or both, to be included on each tier.

A general description of the cable service offering is provided in Attachment 4. Current service tiers available to residents of Howard County, MD are provided in Attachment 5 of the application. Rates are being provided for information only; rates are subject to change. A current channel line up for Howard County, MD is provided in Attachment 6 of the Application. VZ Maryland plans that the broad categories of video programming will be comparable. Thus, while the Montgomery County line up will be similar, it may not be identical. A description of the PEG channels to be offered in Montgomery County is included in Section 6.1 of the proposed cable franchise agreement provided in Attachment 3.

9. The proposed rate structure, including charges for each service tier, installation, converters, and other equipment or services.

Current rates available to residents of Howard County, MD are provided in Attachment 5 of the Application. Rates are being provided for information only; rates are subject to change. VZ Maryland notes that it will be subject to "effective competition" and thus its rates are not subject to regulation. See 47 U.S.C. § 543(a)(2).

10. A demonstration of how the proposal will reasonably meet the future cable-related needs and interests of the community, including a description of how the proposal will meet the needs described in any recent community needs assessment conducted for the County.

VZ Maryland is currently a provider of voice and data services in the community. Therefore, it is aware of certain communications related needs of the citizens of the County, and it will use this knowledge to offer a desirable and competitive cable-related service offering.

VZ Maryland's proposed cable video service offering will be feature rich and will be fully competitive with the current cable services offered in the market. The major components of the service offer will include the analog channel tier, including local and Public, Education and Government (PEG) channels; digital channel tiers; premium channel tiers; Pay Per View (PPV); HDTV channels; digital music channels; Digital Video Recorder (DVR); Interactive programming guide (IPG); and inside coax cable wire installation.

In addition, VZ Maryland's video service offering will benefit the citizens of the community by introducing competition into the market. While cable television prices have notoriously risen in many localities, competition has been proven to control price increases. The Federal Communications Commission, in its most recent competition report released in March 2006, found that in the places where incumbent cable companies face competition from a wireline competitor, monthly cable rates are 15% lower. *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, Twelfth Annual Report, MB Docket No. 05-255, FCC 06-11, ¶ 41 (FCC rel. Mar. 3, 2006) ("*FCC Video Competition Report*"). The General Accounting Office similarly found that wireline competitors "induce incumbent cable operators to respond by providing more and better services and by reducing rates and offering special deals." U.S. General Accounting Office, Report to the Subcommittee on Antitrust, Competition Policy, and Consumer Rights, Committee on the Judiciary, U.S. Senate: Telecommunications, *Wire-Based Competition Benefited Consumers in Selected Markets* at 12 (Feb. 2004). The availability of satellite television (also known as "Direct Broadcast Satellite"); by contrast, has lowered cable rates only slightly. *FCC Video Competition Report* ¶ 5. In markets where Verizon has started offering FiOS TV, incumbent cable companies have reduced their prices significantly.

In addition, competition provides consumers with an alternative, resulting in increased pressure on competing companies to provide high quality customer care and value. Customer service standards are included in Section 8 of the proposed cable franchise agreement provided in Attachment 3. Finally, competition encourages new and innovative services that will benefit the citizens of the community by providing the latest technology and service options in cable television.

VZ Maryland will provide local PEG channels and PEG Grants for the use of the County for PEG and institutional network capital expenses as described in Section 6 and a franchise fee of five percent (5%) of annual gross revenue derived from the operation of the cable system as described in Section 7 of the proposed cable franchise agreement provided in Attachment 3.

11. Pro forma financial projections for the first 10 years of the franchise term, including a statement of income, a balance sheet, sources and uses of funds, and schedule of capital additions, with all significant assumptions explained in notes or supporting schedules.

VZ Maryland's financial projections are provided in Attachment 7.

12. An affidavit of the applicant or an authorized officer that:

- (A) certifies the truth and accuracy of the information in the application;
- (B) acknowledges the enforceability of application commitments; and
- (C) certifies that the proposal meets all applicable federal and state requirements.

An affidavit is provided at the end of this Application.

13. If an applicant proposes to construct a cable system which would constitute an overbuild, the identification of the area where the overbuild would occur, the potential subscriber density in the area to be served by competing cable systems, and other information necessary for the County to make its determination under section 8A-9(e).

A description of the schedule for the provisioning of cable service to residents of Montgomery County is included in Section 3 of the proposed cable franchise agreement provided in Attachment 3.

A map depicting the potential subscriber density in the franchise area is provided in Attachment 8.

14. A certification that the applicant has served a copy of its application on all existing franchisees.

A certification of service upon existing franchisees is included in the affidavit at the end of this Application.

15. Any other information necessary to demonstrate compliance with this Chapter, and any other information that the County requests from the applicant.

**ADDITIONAL INFORMATION IS PROVIDED IN THE PROPOSED CABLE
FRANCHISE AGREEMENT PROVIDED IN ATTACHMENT 3.**

AFFIDAVIT

I, William R. Roberts, state and certify under oath that I am the President of the Applicant Verizon Maryland Inc., that I am authorized to make this certification on its behalf, that to the best of my knowledge, information and belief the information set forth in the application is accurate and true, that I acknowledge the enforceability of application commitments, and that the proposal in the application meets all applicable federal and state requirements.

Date:

9/12/06

Signature:



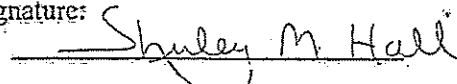
William R. Roberts
State President
Verizon Maryland Inc.

NOTARY:

State of Maryland
City of BALTIMORE
County of

This Application was signed on behalf of VERIZON MARYLAND, by
William R. Roberts, its PRESIDENT, on
the 12 day of Sept, 2006 before me as a notary public.

Signature:



My Comm Exp: 1/1/2009

SEAL